99th Congress, 1st Session - - - - - - - - - - - House Document 99-25

STATE OF THE UNION MESSAGE

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON THE STATE OF THE UNION

FEBRUARY 6, 1985.—Message and accompanying papers referred to the Committee of the Whole House on the State of the Union and ordered to be printed

---

U.S. GOVERNMENT PRINTING OFFICE

43-150 O WASHINGTON : 1985

H920-1

To the Congress of the United States:

Mr. Speaker, Mr. President, distinguished Members of the Congress, honored guests, and fellow citizens. I come before you to report on the state of our Union. And I am pleased to report that, after 4 years of united effort, the American people have brought forth a Nation renewed—stronger, freer, and more secure than before.

Four years ago, we began to change—forever, I hope—our assumptions about Government and its place in our lives. Out of that change has come great and robust growth—in our confidence, our economy, and our role in the world.

Tonight, America is stronger because of the values we hold dear. We believe faith and freedom must be our guiding stars, for they show us truth, make us brave, give us hope, and leave us wiser than we were. Our progress began not in Washington, D.C., but in the hearts of our families, communities, workplaces, and voluntary groups which, together, are unleashing the invincible spirit of one great Nation under God.

Four years ago, we said we would invigorate our economy by giving people greater freedom and incentives to take risks, and letting them keep more of what they earned.

We did what we promised, and a great industrial giant is reborn. Tonight we can take pride in 25 straight months of ecomomic growth, the strongest in 34 years; a 3-year inflation average of 3.9 percent, the lowest in 17 years; and 7.3 million new jobs in 2 years, with more of our citizens working than ever before.

New freedom in our lives has planted the rich seeds for future success:

For an America of wisdom that honors the family, knowing that as the family goes, so goes our civilization;

For an America of vision that sees tomorrow's dreams in the learning and hard work we do today;

For an America of courage whose servicemen and women, even as we meet, proudly stand watch on the frontiers of freedom;

For an America of compassion that opens its heart to those who cry out for help.

We have begun well. But it's only a beginning. We are not here to congratulate ourselves on what we have done, but to challenge ourselves to finish what has not yet been done.

We are here to speak for millions in our inner cities who long for real jobs, safe neighborhoods, and schools that truly teach. We are here to speak for the American farmer, the entrepreneur, and every worker in industries fighting to modernize and compete. And, yes, we are here to stand, and proudly so, for all who struggle to break free from totalitarianism; for all who know in their hearts that freedom is the one true path to peace and human happiness.

Proverbs tells us, without a vision the people perish. When asked what great principle holds our Union together, Abraham Lincoln said, "Something in [the] Declaration giving liberty, not alone to the people of this country, but hope to the world for all future time."

We honor the giants of our history not by going back, but forward to the dreams their vision foresaw. My fellow citizens, this Nation is poised for greatness. The time has come to proceed toward a great new challenge—a Second American Revolution of hope and opportunity; a revolution carrying us to new heights of progress by pushing back frontiers of knowledge and space; a revolution of spirit that taps the soul of America, enabling us to summon greater strength than we have ever known; and, a revolution that carries beyond our shores the golden promise of human freedom in a world at peace.

Let us begin by challenging conventional wisdom: There are no constraints on the human mind, no walls around the human spirit, no barriers to our progress except those we ourselves erect. Already, pushing down tax rates has freed our economy to vault forward to record growth.

In Europe, they call it "the American Miracle." Day by day, we are shattering accepted notions of what is possible. When I was growing up, we failed to see how a new thing called radio would transform our marketplace. Well, today many have not yet seen how advances in technology are transforming our lives.

In the late 1950's, workers at the AT&T semiconductor plant in Pennsylvania produced five transistors a day for $7.50 apiece. They now produce over a million for less than a penny apiece.

New laser techniques could revolutionize heart bypass surgery, cut diagnosis time for viruses linked to cancer from weeks to minutes, reduce hospital costs dramatically, and hold out new promise for saving human lives.

Our automobile industry has overhauled assembly lines, increased worker productivity, and is competitive once again.

We stand on the threshold of a great ability to produce more, do more, be more. Our economy is not getting older and weaker, it's getting younger and stronger; it doesn't need rest and supervision, it needs new challenge and greater freedom. And that word—freedom—is the key to the Second American Revolution we mean to bring about.

Let us move together with an historic reform of tax simplification for fairness and growth. Last year, I asked Treasury Secretary Regan to develop a plan to simplify the tax code, so all taxpayers would be treated more fairly, and personal tax rates could come further down.

We have cut tax rates by almost 25 percent, yet the tax system remains unfair and limits our potential for growth. Exclusions and exemptions cause similar incomes to be taxed at different levels. Low-income families face steep tax barriers that make hard lives even harder. The Treasury Department has produced an excellent reform plan whose principles will guide the final proposal we will ask you to enact.

One thing that tax reform will not be is a tax increase in disguise. We will not jeopardize the mortgage interest deduction fami-

lies need. We will reduce personal tax rates as low as possible by removing many tax preferences. We will propose a top rate of no more than 35 percent, and possibly lower. And we will propose reducing corporate rates while maintaining incentives for capital formation.

To encourage opportunity and jobs rather than dependency and welfare, we will propose that individuals living at or near the poverty line be totally exempt from Federal income tax. To restore fairness to families, we will propose increasing significantly the personal exemption.

Tonight, I am instructing Treasury Secretary James Baker to begin working with congressional authors and committees for bipartisan legislation conforming to these principles. We will call upon the American people for support, and upon every man and woman in this chamber. Together, we can pass, this year, a tax bill for fairness, simplicity, and growth, making this economy the engine of our dreams, and America the investment capital of the world—so let us begin.

Tax simplification will be a giant step toward unleashing the tremendous pent-up power of our economy. But a Second American Revolution must carry the promise of opportunity for all. It is time to liberate the spirit of enterprise in the most distressed areas of our country.

This Government will meet its responsibility to help those in need. But policies that increase dependency, break up families, and destroy self-respect are not progressive, they are reactionary. Despite our strides in civil rights, blacks, Hispanics, and all minorities will not have full and equal power until they have full economic power.

We have repeatedly sought passage of enterprise zones to help those in the abandoned corners of our land find jobs, learn skills, and build better lives. This legislation is supported by a majority of you. Mr. Speaker, I know we agree: There must be no forgotten Americans. Let us place new dreams in a million hearts and create a new generation of entrepreneurs by passing enterprise zones this year.

Nor must we lose the chance to pass our Youth Employment Opportunity Wage proposal. We can help teenagers who have the highest unemployment rate find summer jobs, so they can know the pride of work, and have confidence in their futures.

We will continue to support the Job Training Partnership Act, which has a nearly two-thirds job placement rate. Passage of tuition tax credits and education and health care vouchers will help working families shop for services they need.

Our Administration is already encouraging certain low-income public housing residents to own and manage their own dwellings. It is time all public housing residents have that opportunity of ownership.

The Federal Government can help create a new atmosphere of freedom. But States and localities, many of which enjoy surpluses from the recovery, must not permit their tax and regulatory policies to stand as barriers to growth.

Let us resolve that we will stop spreading dependency and start spreading opportunity; that we will stop spreading bondage and start spreading freedom.

There are some who say growth initiatives must await final action on deficit reductions. Well, the best way to reduce deficits is through economic growth. More businesses will be started, more investments made, more jobs created, and more people will be on payrolls paying taxes. The best way to reduce Government spending is to reduce the need for spending by increasing prosperity. Each added percentage point per year of real G.N.P. growth will lead to a cumulative reduction in deficits of nearly $200 billion over 5 years.

To move steadily toward a balanced budget we must also lighten Government's claim on our total economy. We will not do this by raising taxes. We must make sure that our economy grows faster than growth in spending by the Federal Government. In our Fiscal Year 1986 budget, overall Government program spending will be frozen at the current level; it must not be one dime higher than Fiscal Year 1985. Three points are key:

First, the social safety net for the elderly, needy, disabled, and unemployed will be left intact. Growth of our major health care programs, Medicare and Medicaid, will be slowed, but protections for the elderly and needy will be preserved.

Second, we must not relax our efforts to restore military strength just as we near our goal of a fully equipped, trained, and ready professional corps. National security is Government's first responsibility, so, in past years, defense spending took about half the Federal budget. Today it takes less than a third.

We have already reduced our planned defense expenditures by nearly $100 billion over the past 4 years, and reduced projected spending again this year. You know, we only have a military industrial complex until a time of danger. Then it becomes the arsenal of democracy. Spending for defense is investing in things that are priceless: peace and freedom.

Third, we must reduce or eliminate costly Government subsidies. For example, deregulation of the airline industry has led to cheaper airfares, but on Amtrak taxpayers pay about $35 per passenger every time an Amtrak train leaves the station. It's time we ended this huge Federal subsidy.

Our farm program costs have quadrupled in recent years. Yet I know from visiting farmers, many in great financial distress, that we need an orderly transition to a market-oriented farm economy. We can help farmers best, not by expanding Federal payments, but by making fundamental reforms, keeping interest rates heading down, and knocking down foreign trade barriers to American farm exports.

We are moving ahead with Grace Commission reforms to eliminate waste, and improve Government's management practices. In the long run, we must protect the taxpayers from Government. I ask again that you pass, as 32 States have now called for, an amendment mandating the Federal Government spend no more than it takes in. And I ask for the authority used responsibly by 43 Governors to veto individual items in appropriations bills. Senator Mattingly has introduced a bill permitting a 2-year trial run of the

line-item veto. I hope you will pass and send that legislation to my desk.

Nearly 50 years of Government living beyond its means has brought us to a time of reckoning. Ours is but a moment in history. But one moment of courage, idealism, and bipartisan unity can change American history forever.

Sound monetary policy is key to long-running economic strength and stability. We will continue to cooperate with the Federal Reserve Board, seeking a steady policy that ensures price stability, without keeping interest rates artificially high or needlessly holding down growth.

Reducing unneeded red tape and regulations, and deregulating the energy, transportation, and financial industries, have unleashed new competition, giving consumers more choices, better services, and lower prices. In just one set of grant programs we have reduced 905 pages of regulations to 31.

We seek to fully deregulate natural gas to bring on new supplies and bring us closer to energy independence. Consistent with safety standards, we will continue removing restraints on the bus and railroad industries; we will soon send up legislation to return Conrail to the private sector, where it belongs; and we will support further deregulation of the trucking industry.

Every dollar the Federal Government does not take from us, every decision it does not make for us, will make our economy stronger, our lives more abundant, our future more free.

Our Second American Revolution will push on to new possibilities not only on Earth—but in the next frontier of space. Despite budget restraints, we will seek record funding for research and development.

We have seen the success of the space shuttle. Now we are going to develop a permanently-manned Space Station, and new opportunities for free enterprise. In the next decade, Americans and our friends around the world will be living and working together in space.

In the zero-gravity of space we could manufacture in 30 days lifesaving medicines it would take 30 years to make on Earth. We can make crystals of exceptional purity to produce super computers, creating jobs, technologies, and medical breakthroughs beyond anything we ever dreamed possible.

As we do all this, we will continue to protect our natural resources. We will seek reauthorization and expanded funding for the Superfund program, to continue cleaning up hazardous waste sites which threaten human health and the environment.

There is another great heritage to speak of this evening. Of all the changes that have swept America the past 4 years, none brings greater promise than our rediscovery of the values of faith, freedom, family, work, and neighborhood.

We see signs of renewal in increased attendance in places of worship; renewed optimism and faith in our future; love of country rediscovered by our young who are leading the way. We have rediscovered that work is good in and of itself; that it enables us to create and contribute no matter how seemingly humble our jobs. We have seen a powerful new current from an old and honorable tradition—American generosity.

From thousands answering Peace Corps appeals to help boost food production in Africa, to millions volunteering time, corporations adopting schools, and communities pulling together to help the neediest among us at home, we have refound our values—we have refound America. Private sector initiatives are crucial to our future.

I thank the Congress for passing equal access legislation giving religious groups the same right to use classrooms after school that other groups enjoy. But no citizen need tremble, nor the world shudder, if a child stands in a classroom and breathes a prayer. We ask you again—give children back a right they had for a century-and-a-half or more.

The question of abortion grips our Nation. Abortion is either the taking of human life, or it isn't; and if it is—and medical technology is increasingly showing it is—it must be stopped.

It is a terrible irony that while some turn to abortion, so many others who cannot become parents cry out for children to adopt. We have room for these children; we can fill the cradles of those who want a child to love. Tonight I ask the Congress to move this year on legislation to protect the unborn.

In the area of education, we're returning to excellence, and again, the heroes are our people, not Government. We're stressing basics of discipline, rigorous testing, and homework, while helping children become computer-smart as well. For 20 years, Scholastic Aptitude Test scores of our high school students went down. But now they have gone up 2 of the last 3 years.

We must go forward in our commitment to the new basics, giving parents greater authority and making sure good teachers are rewarded for hard work and achievement through merit pay.

Of all the changes in the past 20 years, none has more threatened our sense of national well-being than the explosion of violent crime. One does not have to have been attacked to be a victim. The woman who must run to her car after shopping at night is a victim; the couple draping their door with locks and chains are victims; as is the tired, decent cleaning woman who can't ride a subway home without being afraid.

We do not seek to violate rights of defendants. But shouldn't we feel more compassion for victims of crime than for those who commit crime? For the first time in 20 years, the crime index has fallen 2 years in a row; we've convicted over 7,400 drug offenders, and put them, as well as leaders of organized crime, behind bars in record numbers.

But we must do more. I urge the House to follow the Senate and enact proposals permitting use of all reliable evidence that police officers acquire in good faith. These proposals would also reform the habeas corpus laws and allow, in keeping with the will of the overwhelming majority of Americans, the use of the death penalty where necessary.

There can be no economic revival in ghettos when the most violent among us are allowed to roam free. It is time we restored domestic tranquility. And we mean to do just that.

Just as we are positioned as never before to secure justice in our economy, we are poised as never before to create a safer, freer, more peaceful world.

Our alliances are stronger than ever. Our economy is stronger than ever. We have resumed our historic role as a leader of the free world—and all of these together are a great force for peace.

Since 1981, we have been committed to seeking fair and verifiable arms agreements that would lower the risk of war and reduce the size of nuclear arsenals. Now our determination to maintain a strong defense has influenced the Soviet Union to return to the bargaining table. Our negotiators must be able to go to that table with the united support of the American people. All of us have no greater dream than to see the day when nuclear weapons are banned from this Earth forever.

Each Member of the Congress has a role to play in modernizing our defenses, thus supporting our chances for a meaningful arms agreement. Your vote this spring on the Peacekeeper missile will be a critical test of our resolve to maintain the strength we need and move toward mutual and verifiable arms reductions.

For the past 20 years we have believed that no war will be launched as long as each side knows it can retaliate with a deadly counter-strike. Well, I believe there is a better way of eliminating the threat of nuclear war.

It is a Strategic Defense Initiative aimed at finding a non-nuclear defense against ballistic missiles. It is the most hopeful possibility of the nuclear age. But it is not well understood.

Some say it will bring war to the heavens—but its purpose is to deter war, in the heavens and on Earth. Some say the research would be expensive. Perhaps, but it could save millions of lives, indeed humanity itself. Some say if we build such a system, the Soviets will build a defense system of their own. Well, they already have strategic defenses that surpass ours; a civil defense system, where we have almost none; and a research program covering roughly the same areas of technology we're exploring. And finally, some say the research will take a long time. The answer to that is: "Let's get started."

Harry Truman once said that, ultimately, our security, and the world's hopes for peace and human progress, "lie not in measures of defense or in the control of weapons, but in the growth and expansion of freedom and self-government."

Tonight, we declare anew to our fellow citizens of the world: Freedom is not the sole prerogative of a chosen few; it is the universal right of all God's children. Look to where peace and prosperity flourish today. It is in homes that freedom built. Victories against poverty are greatest and peace most secure where people live by laws that ensure free press, free speech, and freedom to worship, vote, and create wealth.

Our mission is to nourish and defend freedom and democracy and to communicate these ideals everywhere we can.

America's economic success is freedom's success; it can be repeated a hundred times in a hundred different nations. Many countries in East Asia and the Pacific have few resources other that the enterprise of their own people. But through low tax rates and free markets, they have soared ahead of centralized economies. And now China is opening up its economy to meet its needs.

We need a stronger and simpler approach to the process of making and implementing trade policy and will be studying potential changes in that process in the next few weeks.

We have seen the benefits of free trade and lived through the disasters of protectionism. Tonight, I ask all our trading partners, developed and developing alike, to join us in a new round of trade negotiations to expand trade and competition, and strengthen the global economy—and to begin it in the next year.

There are more than 3 billion human beings living in Third World countries, with an average per capita income of $650 a year. Many are victims of dictatorships that impoverish them with taxation and corruption. Let us ask our allies to join us in a practical program of trade and assistance that fosters economic development through personal incentives to help these people climb from poverty on their own.

We cannot play innocents abroad in a world that is not innocent. Nor can we be passive when freedom is under siege. Without resources, diplomacy cannot succeed; our security assistance programs help friendly governments defend themselves, and give them confidence to work for peace. Congress should understand that dollar for dollar security assistance contributes as much to global security as our own defense budget.

We must stand by all our democratic allies. And we must not break faith with those who are risking their lives—on every continent, from Afghanistan to Nicaragua—to defy Soviet-supported aggression and secure rights which have been ours from birth.

The Sandinista dictatorship of Nicaragua, with full Cuban Soviet-bloc support, not only persecutes its people, the church, and denies a free press, but arms and provides bases for communist terrorists attacking neighboring states. Support for freedom fighters is self-defense, and totally consistent with the O.A.S. and U.N. Charters. It is essential that the Congress continue all facets of our assistance to Central America. I want to work with you to support the democratic forces whose struggle is tied to our own security.

Tonight I have spoken of great plans and great dreams. They are dreams we can make come true. Two hundred years of American history should have taught us that nothing is impossible.

Ten years ago a young girl left Vietnam with her family; part of the exodus that followed the fall of Saigon. They came to the United States with no possessions, and not knowing a word of English. The young girl studied hard, learned English and finished high school in the top of her class. This May is a big date on her calendar. Just 10 years from the time she left Vietnam, she'll graduate from the United States Military Academy at West Point. I thought you might like to meet an American hero named Jean Nguyen.

There's someone else here tonight. Born 79 years ago, she lives in the inner city, where she cares for infants born of mothers who are heroin addicts. The children, born in withdrawal, are sometimes even dropped at her doorstep. She heals them with love. Go to her house some night and maybe you'll see her silhouette against the window, as she walks the floor talking softly, soothing a child in her arms. Mother Hale of Harlem—she, too, is an American hero.

Your lives tell us that the oldest American saying is new again: Anything is possible in America if we have the faith, the will, and

the heart. History is asking us, once again, to be a force for good in the world. Let us begin—in unity, with justice, and love.

RONALD REAGAN.

THE WHITE HOUSE, *February 6, 1985.*

○